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AMERICAN INFORMATION TECHNOLOGIES

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July 19, 1993

William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, NW
Room 222
Washington, DC 20544

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

RE: CC Docket No. 91-141 and
CC Docket No. 93-162 ✓
Ex Parte Statement

Dear Mr. Caton:

On July 16, 1993, Mr. Daniel J. Fling, Director - Planning and Pricing, Ms. Kristin Shulman, Manager - Special Access of Ameritech and I met with Mr. Gregory Vogt, Chief - Tariff Division and Ms. Mary Brown, Deputy Chief - Tariff Division. The attached documents were used as the basis of the discussion.

Sincerely,

Attachments

cc: Mr. Vogt
Ms. Brown

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AMERITECH'S
EXPANDED INTERCONNECTION
and
ZONE PRICING PLANS

**AMERITECH
Zone Pricing Plan**

- **Ameritech's Zone Pricing Plan should be approved immediately since Interconnection Services are now available under tariff in the Ameritech region. The Commission's Order in Docket 91 – 141 recognized the relationship between the Special Access Expanded Interconnection tariff becoming effective and the approval of Ameritech's Zone Pricing Plan.**
- **Ameritech's Density Zone Pricing Plan provides a limited degree of pricing flexibility enabling Ameritech to compete with Alternative Access Providers. Competitors may price on an individual case basis with no Commission review and no requirement to file cost. Competitors' claims that zone pricing will inhibit their ability to compete are an attempt to further use the regulatory process to delay true competition.**
- **Ameritech's Zone Pricing Plan meets all requirements as described in the Report and Order and Notice of Proposed Rulemaking in CC. Docket 91 – 141, released October 19, 1992 and the Order in the matter of Zone Density Pricing Plans, released June 18, 1993.**
- **Ameritech's plan contains one outstanding issue not addressed in the Order – density stated as Minutes of Use per Square Mile.**
- **Minutes of Use per Square Mile is an appropriate measure of density. The denominator of a density equation should be a definable unit (e.g., a square mile).**
- **Zone Pricing must be approved. Competitive Access Providers already have operational expanded Virtual interconnection in the Ameritech region. CAPS are currently ordering Physical interconnection which will be operational shortly in the Ameritech region.**

AMERITECH

Expanded Interconnection Rates

- **Ameritech expects that interconnection rates which became effective subject to an investigation and Accounting Order will be found just and reasonable.**
- **Ameritech's interconnection rates are reasonably compensatory in recovering Ameritech's cost of provisioning service. Rates were cost supported using standard cost procedures.**
- **LECs' cost of provisioning varies and it is inappropriate to expect all LECs to price the same.**
- **A variety of rates and rate structures have been developed based upon each company's unique circumstances.**
 - ⇒ **This is reasonable.**
 - ⇒ **Direct comparisons do not necessarily reflect the reasonableness of individual company rates.**
- **There is nothing wrong or unique with diversity in rates and rate structures.**
- **Ameritech's filed rates appear well within a reasonable range of other LECs' filed rates. This is especially true for the four physical interconnection rate elements; Floor Space, Central Office Build Out, DS1 Cross Connect and the Ability to Connect One 7' Equipment Bay to the DC Power Supply.**
- **Stating recurring capital cost on a net present value basis is an appropriate ratemaking methodology.**
 - ⇒ **LECs incur ongoing recurring costs from making capital investments for interconnection services. Recovering these costs through a nonrecurring rate ensures LEC cost recovery.**
 - ⇒ **Other LECs used same methodology to establish rates.**

**Summary of
An Analysis of Eight (8) Local Exchange Carriers'
Interconnection Rates**

- **Based on Teleport Analysis presented in their Petition to Reject or Alternatively, Suspend and Investigate.**
- **Multiplication errors in Teleport's analysis have been corrected.**
- **Analysis does not include fiber pulling, splicing or testing. Some LECs have not tarified these activities and the customer will contract to outside vendors. These are still activities that the customer must pay for but not to the LEC. In order to show comparisons, these activities were not included in this analysis.**
- **Analysis completed with filed rates prior to RAFs. Ameritech and the other LECs have not yet had the opportunity to defend their rates in the investigation.**
- **Range of physical interconnection rates per DS1 based on a demand of 100 DS1s.**

High \$80.44 – Does not include construction charges (ICB)

Ameritech \$43.10

Low \$30.90

Excluding the high and low values the mean of the filed rates is: \$50.80

- **Using Teleport's methodology, Ameritech's price for one DS1 provisioned via multiplexed DS3 service: \$74.90**
- **Some LECs chose not to capitalize building modification investments. Although this would reduce costs, Ameritech believes building modifications should be capitalized and associated costs should be recovered.**
- **Some LECs chose not to include a Point of Termination (POT) Bay. Ameritech believes this to be an absolutely necessary piece of equipment which provides test access, equal level signalling and a physical demarcation point between the interconnector's and Ameritech's networks.**

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EXPANDED INTERCONNECTION BACKUP INFORMATION

AMERITECH
Expanded Interconnection Rates

This is a summary of rates filed by the LECs for physical interconnection. These rates are further analyzed on the following pages.

	DS1 Cross Connect	Floor Space	Central Office Build Out	Ability to Connect one 7' Equip. Bay
Ameritech	\$13.97	\$787.96	\$46,900.55	\$16,549.13
Bell Atlantic	\$67.00	\$506.00	ICB	*
Bellsouth	\$ 9.00	\$931.00	\$51,660.00	*
GTE	\$ 3.77	\$816.00	\$48,919.00	*
NYNEX	\$ 6.43	\$533.00	\$54,900.00	*
Pacific	\$ 7.73	\$883.00	\$71,000.00	*
Southwestern	\$ 7.22	\$157.00	\$71,488.00	*
US West	\$27.50	\$463.00	ICB	*

* We believe that the Ability to Connect One 7' Equipment Bay to a Battery Distribution Fuse Board (BDFB) to be absolutely necessary. We are not able to ascertain where the cost of this equipment is recovered in other LECs' rates.

AMERITECH's DS1 Electrical Cross-Connection Rate is Reasonable

- 1 Ameritech included repeaters in the DS1 Cross Connect element**
- 2 Repeaters are necessary to maintain the DS1 signal from the Transmission Node to Ameritech's equipment line up, due to distance limitations**
- 3 Equipment included in Ameritech rates may be recovered elsewhere by other LECs' rates.**

Ameritech

Electrical Cross-Connection Service

Ameritech DS1 **Rate:** **\$13.97**

Investment Components:

Jumper Cable/Connector	\$204.00
------------------------	----------

Repeater	\$209.00
----------	----------

Monthly Direct Cost: \$8.84

Overhead Loading Factor: 1.58

Rate: \$13.97

The Repeater is necessary to maintain the DS1 signal integrity from the Transmission Node to the Cross-connect point.

Cross-Connect Comparisons:

Items Included (See Note)

Rate

* Ameritech	Jumper cable, termination, repeater	\$13.97
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*	Bell Atlantic	Jumper Cable and termination	\$3.00
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**AMERITECH's 100 Sq. Ft. of Floor Space Rate
is Reasonable**

- 1 The Point Of Termination Bay (DSX) is necessary. It functions as an equal level signal point, a test access point and a clear demarcation point.**
- 2 Floor Space rates are properly based on new construction costs.**
- 3 Cost of Construction was obtained from the Means Building Construction Cost Data Guide, a widely accepted construction industry publication.**

Ameritech

100 Sq. Ft. of Floor Space

Ameritech	Rate:	\$787.96
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Investment Components:

Basic Floor Space	\$16,015.00
Passive Bay Investment	\$1,259.28
DS1 Termination Panel (.94 Weight)	\$1,059.02
DS3 Termination Panel (.06 Weight)	\$399.70
Panel Cabling	\$670.23
Repeater Bay	\$7,711.11
Repeater Panel	\$57.42

Total Investment	\$27,171.77
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Monthly Direct Cost:	\$498.71
Overhead Loading Factor:	1.58

	Rate:	\$787.96
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Floor Space Comparisons:

Ameritech	Floor space, house services, passive bay, panels, Repeater Bay, panels and cabling		\$787.96
Bell Atlantic	Floor Space Only	\$ 245.50 -	\$506.00
Bellsouth	Includes 2 (40) Amp DC feeds, cable rack riser		\$931.00
GTE	Floor Space Only	\$ 241.00 -	\$816.00
NYNEX	Floor Space and env. support	\$ 220.00 -	\$533.00
Pacific	Floor Space Only	\$ 728.00 -	\$883.00
Southwestern	Floor Space Only		\$157.00
US West	Includes floor space, property taxes, operating expenses and AC power	\$ 278.00 -	\$463.00

	High:	\$931.00
(Based on Max. Floor Space rates)	Average:	\$634.62
	Low:	\$157.00

AMERITECH's Central Office Build Out Rate is Reasonable

- 1 It is appropriate ratemaking to state recurring capital cost on a net present value basis and recover through a nonrecurring rate element.**
- 2 Costs for office modifications are shared. This rate was determined by averaging the cost of modifying a central office over anticipated number of Transmission Nodes within each office. This methodology recovers the cost of modifications from all Interconnection customers.**

Ameritech

Central Office Build Out

Ameritech	Rate:	\$46,900.55
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Investment Components:

Walls/Doors	\$4,318.08
Locks and Keys	\$3,527.68
A/C Outlet	\$290.16
Heating,	
Ventilation and Air Conditioning	\$4,937.92
Other Electric	\$1,932.32
Miscellaneous	\$2,512.64
BFDP Cost for 2 (7') Equipment Bays	\$16,085.52

Direct Cost:	\$29,683.86
Overhead Loading Factor:	1.58

Rate:	\$46,900.50
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Build Out Comparisons:

	Rate
Ameritech	\$46,900.55
Bell Atlantic	ICB
Bellsouth	\$51,660.00
GTE	
Building Modifications	\$28,781
Office Arrangement	\$11,029
Engineering Fee	\$9,109
Total:	\$48,919.00
NYNEX	\$54,900.00
Pacific	\$71,000.00
Southwestern	\$71,488.00
US West	ICB

High:	\$71,488.00
Average:	\$57,477.93
Low:	\$46,900.55

**AMERITECH'S Ability to Connect One 7' Equip. Bay to
the DC Power Supply Rate is Reasonable**

- 1 The Battery Distribution Fuse Board is an absolutely necessary piece of equipment.**
- 2 Standard policies require each central office zone to have its own Battery Distribution Fuse Board for fire prevention. Interconnection Transmissior Nodes will be placed in a separate office zone.**
- 3 The cost of the Battery Distribution Fuse Board has been allocated based on the expected number of equipment bays that the Interconnectors will place in the Transmission Nodes.**
- 4 This Optional rate element does not apply to the first two (2) equipment bays placed in a Transmission Node.**
- 5 Each equipment bay can accomodate approximately 392 DS1s.**

Ameritech

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**ANALYSIS OF 8 LOCAL EXCHANGE CARRIERS
PHYSICAL INTERCONNECTION RATES ASSUMING
100 DS1s**

**(Based on the Teleport Analysis presented in their Petition to Reject, or
Alternatively Suspend and Investigate the LECs' Expanded
Interconnection tariffs)**

Ameritech Model Office
Cost of Providing 100 DS1s

Unit Price REQ/ Total

1. Manufacturing Charges

Bell Atlantic Model Office
Cost of Providing 100 DS1s

1. Nonrecurring Charges	Unit Price	REQ/ 100 DS1s	Total Nonrecurring
Design and Planning Fee	\$3,640.00	1	\$3,640.00
Construction Charges	ICB	1	ICB
			=====
Total NRCs			\$3,640.00

Equivalent Monthly Payment
over 5 years at 10% Interest \$77.34

2. Recurring Charges	Unit Price	REQ/ 100 DS1s	Total Monthly
CO Floor Space/Sq. Ft.	\$4.50	100	\$450.00
Cross Connect Service/ DS1	\$3.00	100	\$300.00
Physical Connection Service	\$64.00	100	\$6,400.00
48 Volt DC Power/10 Amp Circuit	\$206.00	2	\$412.00
Cable Support Structure/cable	\$405.00	1	\$405.00
			=====
Total Recurring			\$7,967.00
Total Monthly			\$8,044.34

Total Cost Per DS1	\$80.44
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Note: Cable Pulling is tariffed but removed from analysis. Does Not Include
Construction Charges

Analysis developed using filed rates prior to RAFs

Bell South Model Office
Cost of Providing 100 DS1s

	Unit Price	REQ/ 100 DS1s	Total
1. Nonrecurring Charges			Nonrecurring
Space Preparation	\$1,350.00	1	\$1,350.00
Application	\$4,490.00	1	\$4,490.00
Space Construction	\$51,660.00	1	\$51,660.00
Cross-Connect 1st	\$155.00	50	\$7,750.00
Cross-Connect Add'l	\$14.00	50	\$700.00
			=====
Total NRCs			\$65,950.00
Equivalent Monthly Payment over 5 years at 10% Interest			\$1,401.24
2. Recurring Charges	Unit Price	REQ/ 100 DS1s	Total Monthly
CO Floor Space/Sq. Ft.	\$9.31	100	\$931.00
Cross Connect Service/ DS1	\$9.00	100	\$900.00
			=====
Total Recurring			\$1,831.00
Total Monthly			\$3,232.24
Total Cost Per DS1			\$32.32

Note: Customer contracts with outside vendors to perform all cable pulling and splicing.

Analysis developed using filed rates prior to RAFs

GTE Model Office
Cost of Providing 100 DS1s

1. Nonrecurring Charges	Unit Price	REQ/ 100 DS1s	Total Nonrecurring
Office Arrangement	\$11,029.00	1	\$11,029.00
Building Modification	\$28,781.00	1	\$28,781.00
Engineering Fee	\$9,109.00	1	\$9,109.00
			=====
Total NRCs			\$48,919.00

Equivalent Monthly Payment
over 5 years at 10% Interest \$1,039.38

2. Recurring Charges	Unit Price	REQ/ 100 DS1s	Total Monthly
CO Floor Space/Sq. Ft.	\$6.21	100	\$621.00
Cable Space/100 Sq. Ft.	\$50.85	1	\$50.85
Cross Connect Service/ DS1	\$3.77	100	\$377.00
48 Volt DC Power/Sq Ft.	\$10.02	100	\$1,002.00
			=====
Total Recurring			\$2,050.85
Total Monthly			\$3,090.23
Total Cost Per DS1			\$30.90

Note: Cable Pulling is tarified but removed from analysis.

Analysis developed using filed rates prior to RAFs

NYNEX Model Office
Cost of Providing 100 DS1s

1. Nonrecurring Charges	Unit Price	REQ/ 100 DS1s	Total Nonrecurring
Construction Charges	\$54,900.00	1	\$54,900.00
OCT - DS1 New	\$270.66	50	\$13,533.00
OCT - DS1 Rollover	\$284.59	50	\$14,229.50
			=====
Total NRCs			\$82,662.50

Equivalent Monthly Payment
over 5 years at 10% Interest \$1,756.33

2. Recurring Charges	Unit Price	REQ/ 100 DS1s	Total Monthly
CO Floor Space/Sq. Ft.	\$5.33	100	\$533.00
Cross Connect Service/ DS1	\$6.43	100	\$643.00
Cable Space/100 Sq. Ft.	\$51.36	1	\$51.36
Cable Space Per Linear Foot	\$0.27	362	\$97.74
48 Volt DC Power per Fuse AMP	\$8.15	15	\$122.25
			=====
Total Recurring			\$1,447.35
Total Monthly			\$3,203.68
Total Cost Per DS1			\$32.04

Note: Cable pulling and splicing to be charged on a time and materials basis.

Analysis developed using filed rates prior to RAFs

Pacific Model Office
Cost of Providing 100 DS1s

1. Nonrecurring Charges	Unit Price	REQ/ 100 DS1s	Total Nonrecurring
Central Office Build Out	\$71,000.00	1	\$71,000.00
DC Power/ 40 Amp Inc.	\$453.00	1	\$453.00
* Cable Length (DC Power)	\$9.74	101	\$983.74
Cross-Connect DS1	\$180.00	100	\$18,000.00
Access Card - New	\$8.70	4	\$34.80
			=====
Total NRCs			\$90,471.54
Equivalent Monthly Payment over 5 years at 10% Interest			\$1,922.25
2. Recurring Charges	Unit Price	REQ/ 100 DS1s	Total Monthly
CO Floor Space/Sq. Ft.	\$8.83	100	\$883.00
Cable Space/100 Sq. Ft.	\$182.00	1	\$182.00
Cross Connect Service/ DS1	\$7.73	100	\$773.00
48 Volt DC Power	\$296.00	1	\$296.00
			=====
Total Recurring			\$2,134.00
Total Monthly			\$4,056.25
Total Cost Per DS1			\$40.56

* Teleport's analysis failed to multiply the per linear foot rate by the number of linear cable feet.

Note: Cable Pulling from the Manhole to the Vault is the interconnect's responsibility and no rate is tarified, Teleport neglected to include the Cable Vault to Cage rate in the analysis.

Analysis developed using filed rates prior to RAFs

Southwestern Bell Model Office

Cost of Providing 400 DS1s

US West Model Office
Cost of Providing 100 DS1s

	Unit Price	REQ/ 100 DS1s	Total Nonrecurring
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1. Nonrecurring Charges

Quotation Preparation	\$6,942.00	1	\$6,942.00
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